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FALCONBRIDGE
NICKEL MINES LIMITED

**INTERIM REPORT
TO THE
SHAREHOLDERS**

SIX MONTHS ENDED JUNE 30, 1974

TO THE SHAREHOLDERS

Consolidated earnings of Falconbridge Nickel Mines Limited and its subsidiaries for the six months ended June 30, 1974 were \$22,822,000 or \$4.61 per share after income and mining taxes of \$20,476,000. In the corresponding period of 1973 earnings (exclusive of an extraordinary item) were \$19,849,000 or \$4.01 per share after income and mining taxes of \$12,286,000. Taxes have been provided in the first half of 1974 in accordance with the provisions of the existing Federal and Provincial tax acts. No provision has been made for increased taxes under pending legislation.

Earnings of the integrated nickel operations increased somewhat from last year's level with higher metal prices slightly more than compensating for higher costs.

The contribution of Falconbridge Copper Limited to consolidated earnings declined from last year due to lower production and the termination of the tax-free period for the Millenbach Mine. The decrease in production results from a continuing shortage of miners in the Opemiska Division and some mining problems which restricted operations in the higher grade stopes in the Lake Dufault Division.

Falconbridge Dominicana's contribution to consolidated earnings was also reduced from last year's level due to sharply increased fuel costs. Recently announced price increases for ferro-nickel are expected to yield only limited benefit in the current year. In order to restore ferronickel inventories to more normal levels, deliveries of ferronickel by Falconbridge Nickel Mines Limited may be somewhat less in the second half than in the first half of the year.

The contribution of other subsidiaries to the consolidated total was slightly higher than last year. The principal factor was the improvement in metal prices, particularly for copper and silver.

The increase in Interest, Investment and Other Income is attributable to an increase in short-term investments and to higher interest rates.

Consolidated working capital totalled \$212,562,000 at June 30, 1974, an increase of \$25,457,000 since December 31, 1973. Net expenditures (after deduction of the Lurgi nickel-iron pellet refinery settlement) on fixed assets and development and preproduction were \$22,980,000 as compared to \$16,767,000 in the corresponding six months of 1973.

MARSH A. COOPER,
President and Managing Director

Toronto, Ontario,
August 8, 1974.

FALCONBRIDGE NICKEL MINES LIMITED

and its subsidiaries

CONSOLIDATED STATEMENTS

(Unaudited — 000's omitted)

	1974		1973	
	Three months ended		First six months	First six months
	March 31	June 30		
METAL DELIVERIES (pounds):				
Integrated nickel operations —				
Nickel	20,597	22,167	42,764	43,246
Copper	13,445	13,552	26,997	27,254
Cobalt	796	604	1,400	39
Falconbridge Copper Limited —				
Copper	16,437	14,158	30,595	42,321
Zinc	7,539	9,088	16,627	19,563
Falconbridge Nickel Mines Limited —				
Ferronickel (deliveries to customers)	20,257	19,264	39,521	33,605
EARNINGS:				
Revenues from metals and other products	\$ 114,846	\$ 120,865	\$ 235,711	\$ 196,031
Interest, investment and other income	4,007	6,664	10,671	4,795
	<u>118,853</u>	<u>127,529</u>	<u>246,382</u>	<u>200,826</u>
Costs other than the undermentioned	68,400	77,837	146,237	112,756
Depreciation, depletion, development and preproduction written off	13,260	12,604	25,864	25,701
Exploration, research and process development	3,988	4,742	8,730	6,839
Interest and amortization of debt expenses	6,566	6,941	13,507	13,335
Income and mining taxes	11,307	9,169	20,476	12,286
Minority interest in earnings of subsidiaries	5,155	3,591	8,746	10,060
	<u>108,676</u>	<u>114,884</u>	<u>223,560</u>	<u>180,977</u>
Earnings before extraordinary item	10,177	12,645	22,822	19,849
Deferred tax adjustment resulting from 1972 write-offs	—	—	—	2,259
Earnings for the period	<u>\$ 10,177</u>	<u>\$ 12,645</u>	<u>\$ 22,822</u>	<u>\$ 22,108</u>
Earnings per share —				
Before extraordinary item	\$ 2.05	\$ 2.56	\$ 4.61	\$ 4.01
For the period	<u>\$ 2.05</u>	<u>\$ 2.56</u>	<u>\$ 4.61</u>	<u>\$ 4.46</u>
EARNINGS CONTRIBUTIONS:				
Integrated nickel operations	\$ 3,310	\$ 7,081	\$ 10,391	\$ 9,323
Falconbridge Copper Limited	2,731	1,704	4,435	5,431
Falconbridge Dominicana, C. por A.	2,466	645	3,111	4,350
Other consolidated subsidiaries	1,455	2,865	4,320	4,104
Corporate	215	350	565	(1,100)
	<u>\$ 10,177</u>	<u>\$ 12,645</u>	<u>\$ 22,822</u>	<u>\$ 22,108</u>
CHANGES IN FINANCIAL POSITION:				
Source of working capital —				
Earnings (adjusted for items not involving the use of working capital)	\$ 30,804	\$ 31,011	\$ 61,815	\$ 58,875
Application of working capital —				
Property, plant, equipment (net) and development and preproduction	11,654	11,326	22,980	16,767
Long-term debt	379	6,975	7,354	6,747
Dividends	1,239	1,239	2,478	—
Other	(320)	3,866	3,546	3,929
	<u>12,952</u>	<u>23,406</u>	<u>36,358</u>	<u>27,443</u>
Increase in working capital	17,852	7,605	25,457	31,432
Working capital — beginning of period	187,105	204,957	187,105	112,281
Working capital — end of period	<u>\$ 204,957</u>	<u>\$ 212,562</u>	<u>\$ 212,562</u>	<u>\$ 143,713</u>

FALCONBRIDGE NICKEL MINES LIMITED



A Canadian company incorporated in 1928, Falconbridge is today a major producer and marketer of nickel and other metals, minerals and industrial products.

Among the products of the Falconbridge Group are nickel, copper, cobalt, gold, silver, platinum, palladium, iridium, rhodium, ruthenium, selenium, lead, iron ore, zinc, cadmium, titanium, nepheline syenite, silica, limestone aggregates, liquid sulphur dioxide, oil, natural gas, carbon and high-alloy steel castings, and other products for consumer and industrial use.

FALCONBRIDGE NICKEL MINES LIMITED

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